

# Creating a Sustainable Future: People, Planet and Profits

## Panelists/Presenters:

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- **Govi Rao**, President & CEO, LED Holdings, LLC

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# What is Sustainability?

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“Meeting the needs of the present without compromising the ability of future generations to meet their own needs.”

Our Common Future, UN Brundtland Report, 1987

Key aspects:

- **Focus simultaneously on the People, the Planet, and Profits**
- **Balancing social, environmental, and economic factors for short and long-term performance**

# What is Sustainability?

a.k.a. corporate social responsibility or corporate citizenship

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***“A company’s ability to achieve its business goals and increase long-term shareholder value by integrating economic, environmental and social opportunities into its business strategies.”***

“Symposium on Sustainability – Profiles in Leadership,” NYC, Oct. 2001

# Qualities of a State-of-the-Art Sustainable Enterprise

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- Long-term, collaborative, “holistic” or systems-oriented mindset.
- Pursues a “*triple bottom-line*”– *social, environmental and economic*.
  - generates or regenerates planet’s five capital stocks: i.e., *natural, social, financial, human, and manufactured capital*
- ethics-based business principles and sound corporate governance practices
  - considers rights and interests of all relevant stakeholders, not only the immediate interests of company shareholders.
- Is committed to transparency and accountability.
- Gives stakeholders opportunities to participate in all relevant decisions that affect them.
- Uses its influence to promote meaningful **systemic change** amongst its peers, within its neighboring communities, and throughout its supply chain.

# HOW to Implement Corporate Sustainable Development Strategies?

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Sustainability strategies can and should take many different forms, depending on

1. the unique interrelationship between a specific organization and society and
2. the unique social, environmental and economic opportunities that result from that interrelationship.

Porter and Kramer (2006)

# Insights from some of the world's most sustainable companies\*

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*How are you aligning your entire organization around sustainability and what are the most significant challenges you are facing?*

\*Alcoa, Bank of America, BASF, The Coca Cola Company, Eastman Kodak, Intel, Novartis AG, Royal Philips, Unilever.

All are listed in “The Global 100 Most Sustainable Corporations in the World,” a project initiated by Corporate Knights Inc., with Innovest Strategic Value Advisors Inc.

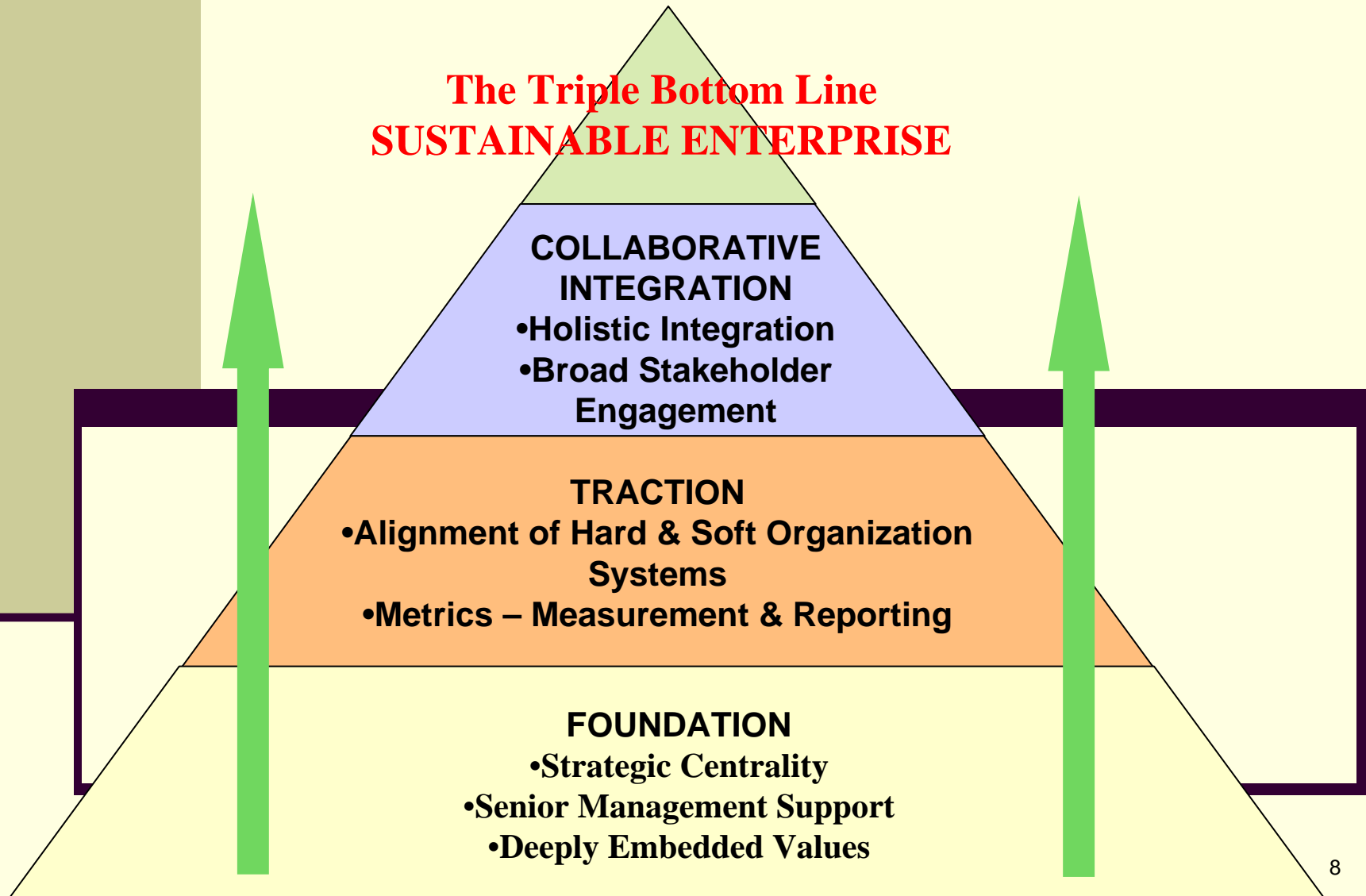
# Focal Questions for Interviews

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1. *Does your firm explicitly emphasize the social, environmental, governance, and stakeholder aspects of sustainability, and if so, why?*
2. *How are you aligning your entire organization around sustainability and what are the most significant challenges you are facing?*
3. *What roles are human resource leaders and the HR function playing in your sustainability journey?*

# The SUSTAINABILITY PYRAMID: *Qualities Associated with Highly Successful Sustainability Strategies*

## The Triple Bottom Line SUSTAINABLE ENTERPRISE



# Insights from some of the world's most sustainable companies\*

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*What roles are human resource leaders and the HR function playing in your sustainability journey?*

\*Alcoa, Bank of America, BASF, The Coca Cola Company, Eastman Kodak, Intel, Novartis AG, Royal Philips, Unilever.

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# Areas of Strongest HR Contributions to Sustainability

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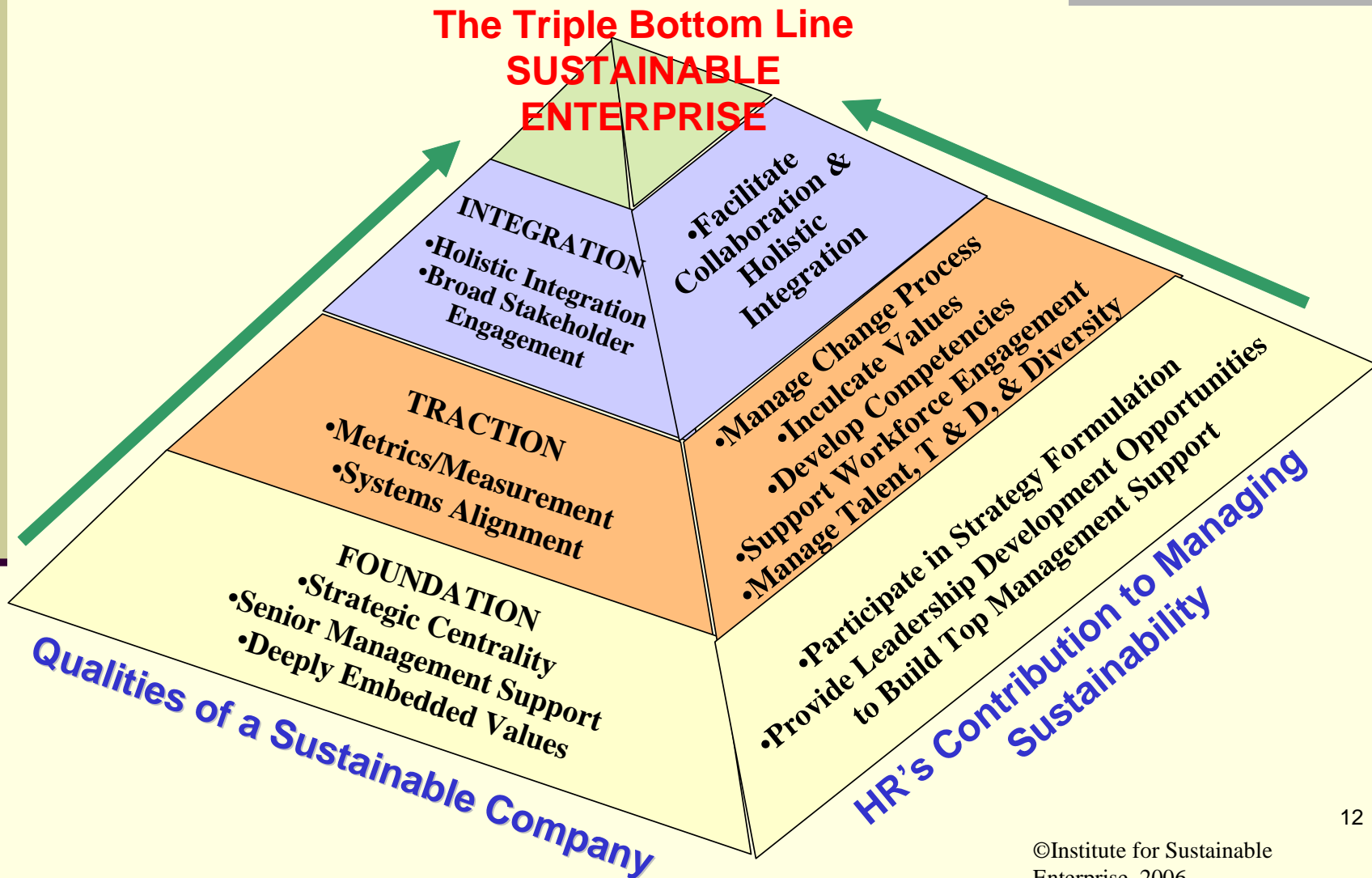
1. Providing Leadership Development Opportunities
2. Creating Development Culture & Training
3. Linking to Talent Management Systems and Processes
4. Ensuring Diversity and Inclusivity in a Global/Multicultural context
5. Promoting Ethics & Transparency
6. Engaging Employees in the Journey

# Areas of Relatively Modest HR Contributions to Sustainability

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1. Managing the Transformational Change Process
2. Fostering Collaboration and Teamwork
3. Creating and Inculcating Values
4. Supporting Health & Safety Initiatives

# The SUSTAINABILITY PYRAMID: *Qualities Associated with Highly Successful Sustainability Strategies*



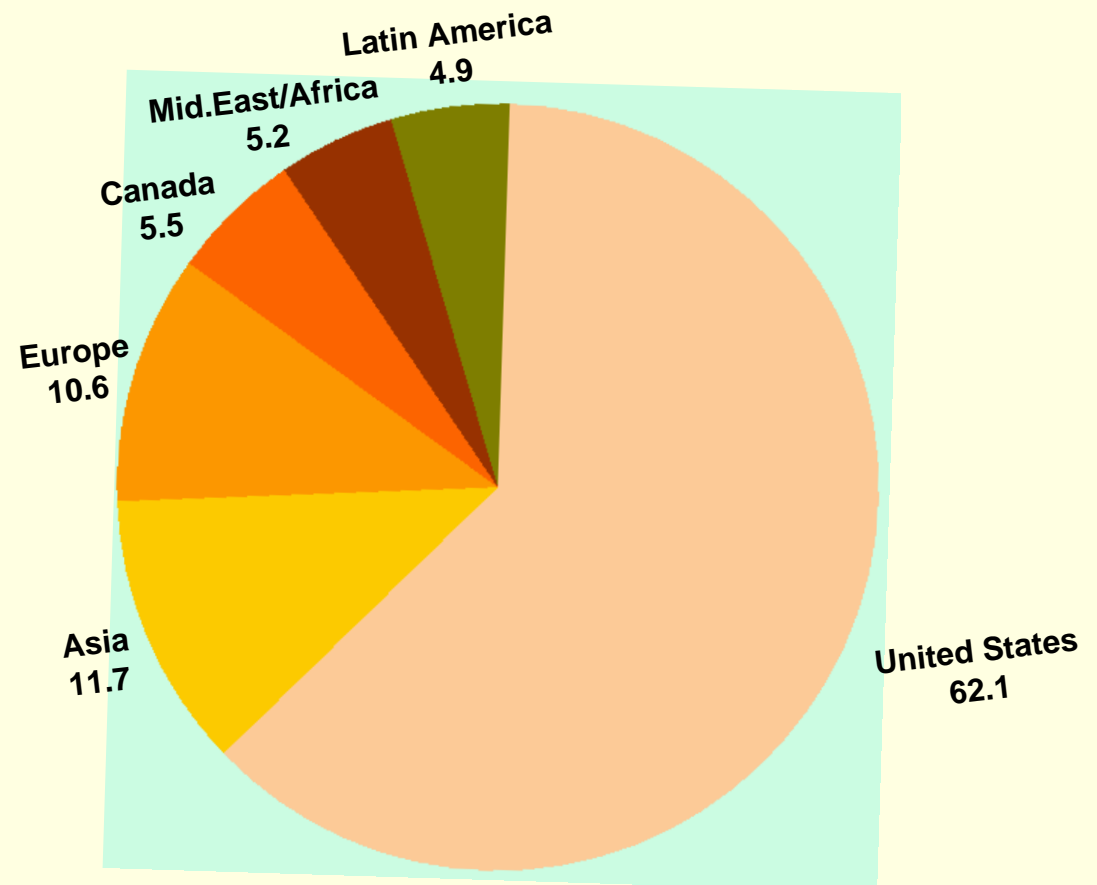
# Study Conclusions

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1. HR providing crucial support to highly successful sustainability management, especially in traditional areas
2. HR challenged in more non-traditional functions, e.g., cross-functional operations & teamwork
3. HR's influence related to strategic positioning in the firm

# AMA / HRI/ ISE Global Sustainability Study

- **1,365 survey respondents from around the world**
- **9 interviews with companies known for their excellence in sustainability**



# Importance of Sustainability Issues

Rank		You Personally	Your Company
1	Business ethics and integrity	4.8	4.5
2	Safe and healthy work environment	4.7	4.3
3	Affordable quality health care	4.7	4.0
4	Well-being of employees	4.6	3.9
5	Clean water	4.4	3.7
13	Climate change	3.9	3.1
14	Epidemics	3.8	3.4
15	Diverse ecosystem	3.8	3.1
16	Open immigration	3.4	3.1
17	World population growth	2.4	2.9

Mean response on a 5-point scale

# Extent that Organizations Have Practices in Place to Do the Following:

Rank		Higher Performers	Lower Performers
1	Ensure health and safety of employees	4.3	3.9
2	Ensure accountability for ethics at all levels	4.2	3.7
3	Engage collaboratively with community	3.6	3.3
4	Support employees balancing work and life	3.6	3.4
5	Encourage employee volunteerism	3.5	3.1
13	Use sustainability in recruiting and selection	3.2	2.5
14	Establish indicators to meet sustainability goals	3.1	2.4
15	Use sustainability to determine promotions	3.1	2.4
16	Reduce greenhouse gas emissions	2.8	2.4
17	Link sustainability to compensation	2.9	2.3

Mean response on a 5-point scale

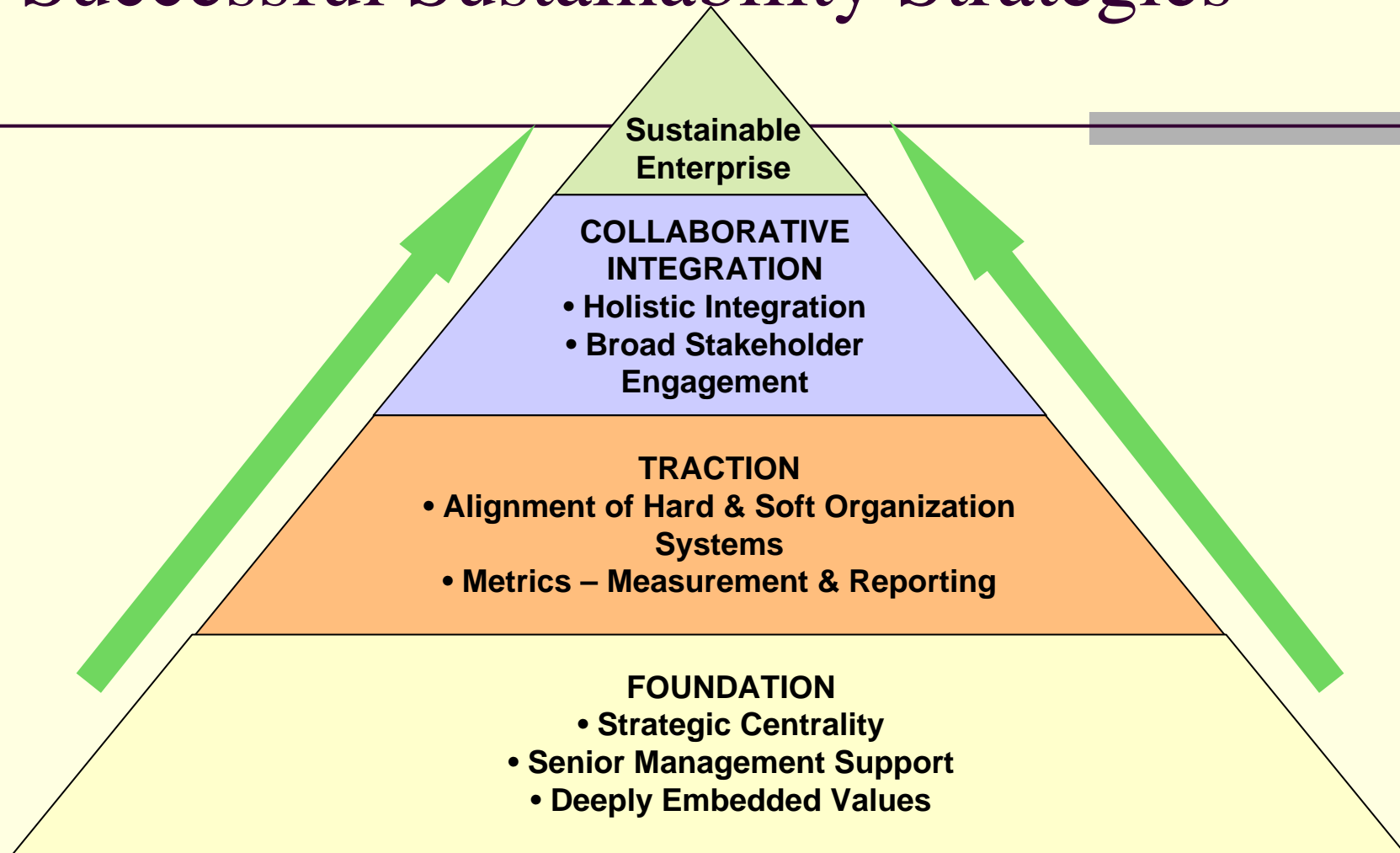
# Factors Driving Sustainability

	<u>Today</u>	<u>In 10 Years</u>
<b>Ensuring workers' health and safety</b>	1	4
<b>Increasing workforce productivity</b>	2	5
<b>Improving image with shareholders and public</b>	3	1
<b>Effectively addressing regulatory restrictions</b>	4	6
<b>Enhancing innovation</b>	5	2
<b>Meeting expectations of investors and lenders</b>	6	7
<b>Attracting and retaining diverse top talent</b>	7	3
<b>Improving employee morale and engagement</b>	8	8
<b>Addressing challenges of the healthcare system</b>	9	9
<b>Providing goods / services that are good for the world</b>	10	11

# Factors Hindering Your Company from Moving toward Sustainability

	<u>Rank</u>	<u>Mean</u>
<b>Lack of demand from consumers and customers</b>	<b>1</b>	<b>3.13</b>
<b>Lack of demand from managers and employees</b>	<b>2</b>	<b>3.13</b>
<b>Lack of awareness and understanding</b>	<b>3</b>	<b>3.11</b>
<b>Lack of standardized metrics or benchmarks</b>	<b>4</b>	<b>3.10</b>
Lack of specific ideas on what to do	5	3.08
Lack of demand from shareholders and investors	6	3.04
Lack of demand from suppliers	7	2.99
Unclear or weak business case	8	2.97
Lack of demand from community	9	2.93
Lack of support from senior leaders	10	2.92

# Qualities Associated with Highly Successful Sustainability Strategies



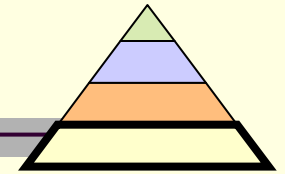
Source: Wirtenberg, J., Harmon, J., Russell, W. & Fairfield, K. HR's Role in Building a Sustainable Enterprise: Insights From Some of the World's Best Companies," *Human Resource Planning*, 30(1), 2007. ©Institute for Sustainable Enterprise, 2006

# Degree to Which Companies Value and Have the Qualities of Sustainable Enterprises

Qualities of a Sustainable Enterprise	Importance to Building a Sustainable Enterprise*	Extent Company Has These Qualities*
• Top management support	• 4.4	• 3.3
Centrality to business strategy	4.1	3.2
• Values	• 4.2	• 3.1
Metrics	3.9	2.9
• Stakeholder engagement	• 3.9	• 2.9
Systems alignment	4.0	2.9
• Organizational integration	• 3.9	• 2.8

\*Mean responses on a 5-point scale, where 1 = not at all and 5 = to a very great extent.  
 2007 AMA/HRI Sustainability Survey

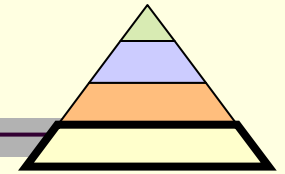
# Level 1: Laying the Foundation



## Senior Management Support for Sustainability

- The CEO, the chairman of the board and senior management teams show public and unwavering support for sustainability.
- **This is the most highly rated element in both importance (4.4) and extent (3.3) with a gap of 1.03.**

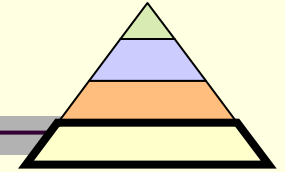
# Level 1: Laying the Foundation



## Valuing Sustainability

- Key values related to sustainability are deeply ingrained in the company.
- **While sustainable values are seen as the second most important element to Sustainable Enterprise (4.2); companies have these values only to a moderate extent (3.1) with a gap of 1.05.**

# Level 1: Laying the Foundation

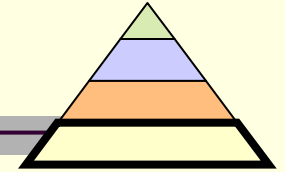


## Valuing Sustainability

**Among the “world’s most sustainable companies,” values related to sustainability were deeply ingrained in their “DNA” and were especially evident among all European-based companies in the sample.**

- *Source: \*Wirtenberg, J., Harmon, J., Russell, W. & Fairfield, K. HR’s Role in Building a Sustainable Enterprise: Insights From Some of the World’s Best Companies,” Human Resource Planning, 30(1), 2007.*

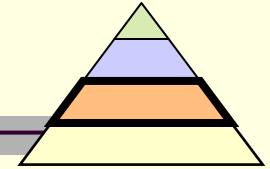
# Level 1: Laying the Foundation



## **Sustainability is Central to Business Strategy**

**Viewed as a highly important element to Sustainable Enterprise (4.1), and the second highest in extent (3.2) with a gap of .84.**

## Level 2: Gaining Traction



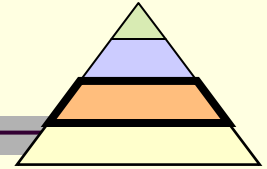
# Systems Alignment

The company's structure, systems, processes and culture are aligned around sustainability.

**While systems alignment around sustainability was seen as important (4.0), there was a significant gap in the extent to which companies were actually doing this (2.9) with a gap of 1.10.**

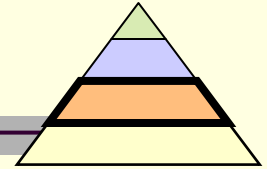
# Level 2: Gaining Traction

## ■ **Systems Alignment**



- **All elements of the organization need to be aligned around sustainability strategies and actions.**
- **Managers can help infuse a sustainability focus into all human capital and other business systems:**
  - Recruitment and selection
  - Training and Development
  - Performance Management
  - Compensation and Advancement
  - Communications
  - Employee Engagement
  - Supply Chain
  - Operations
  - Manufacturing

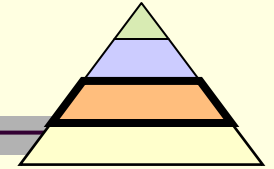
## Level 2: Gaining Traction



### ■ Sustainability-Related Metrics

- The company deploys an array of rigorous sustainability measures.
- **While sustainability-related metrics were seen as important (3.9), there was a significant gap (.98) in the extent to which companies were actually doing this (2.9).**

## Level 2: Gaining Traction



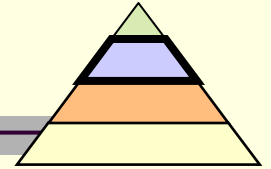
### Sustainability-related Metrics

Exemplar companies design, implement and monitor key Sustainability performance indicators.

Examples:

- Energy Audits
- Carbon Footprint Analysis
- Global Reporting Initiative (GRI)

# Level 3: Achieving Integration

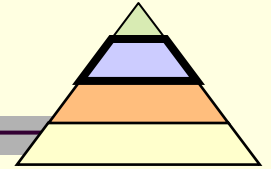


## Stakeholder Engagement

**The company reaches out to and involves a broad array of external and internal stakeholders around sustainability issues, including customers, suppliers, governmental and non-governmental organizations (NGOs).**

While broad stakeholder engagement was seen as important (3.9), there was a significant gap (.97) in the extent to which companies were actually doing this (2.9).

## Level 3: Achieving Integration



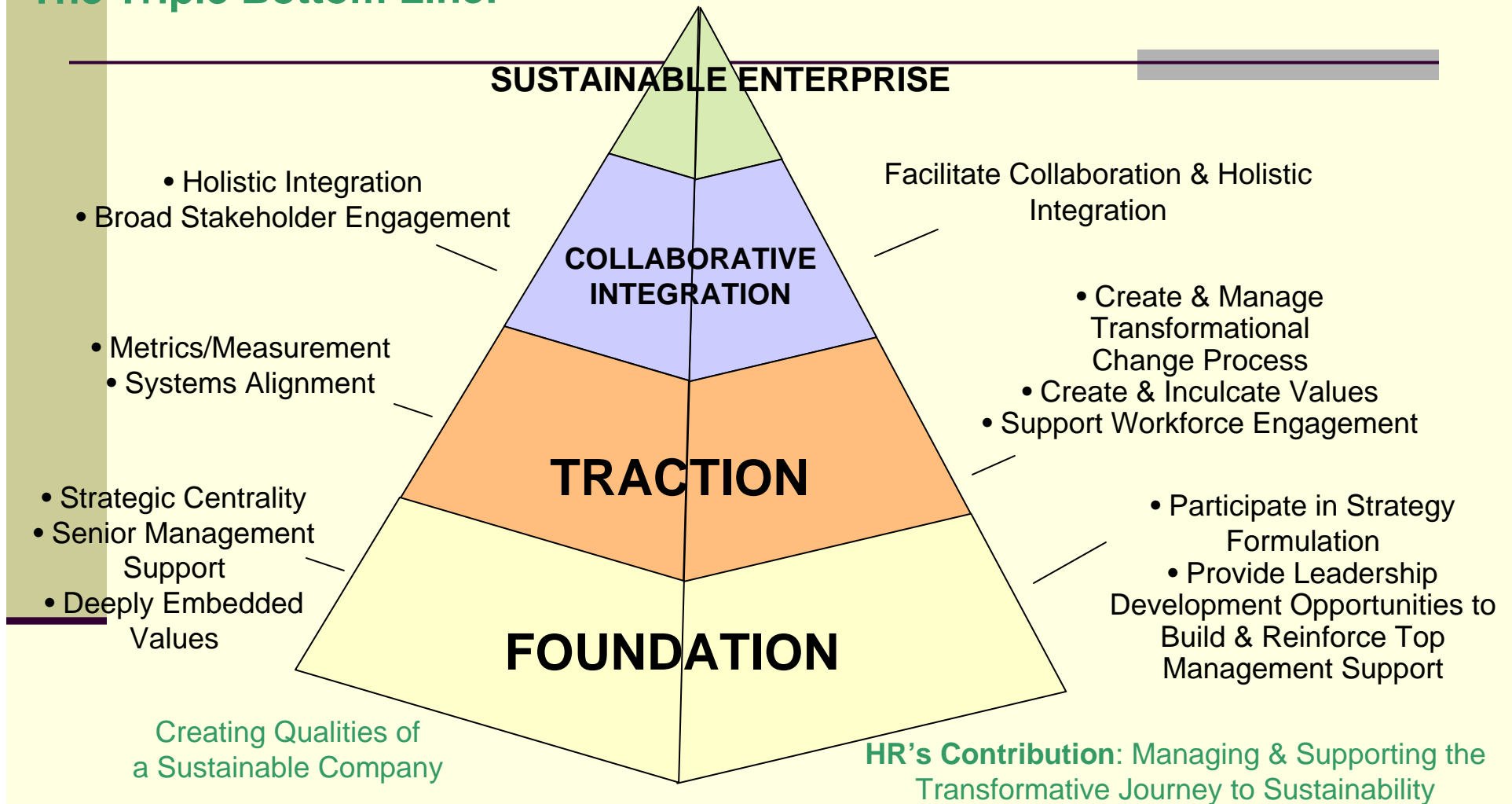
### Organization Integration

**Various aspects of sustainability are viewed holistically and integrated across the functions that have responsibility for them.**

While organization integration was seen as important (3.9), there was a significant gap (1.06) in the extent to which companies were actually doing this (2.8).

# When It All Comes Together

## The Triple Bottom Line:



# Implementing Sustainability Strategies and Seeing Measurable Benefits

■ To what extent...	Lowest Performers	Highest Performers	All
<b>...do you believe that your organization is implementing a sustainability strategy?</b>	2.65	3.33	2.99
<b>... is your organization seeing measurable benefits from sustainability initiatives?</b>	2.56	3.19	2.88

# Top 12 Most Commonly Used Sustainability-Related Practices

- To what extent does your company have practices in place to do the following?

	Mean Responses
■ Ensure the health and safety of employees	4.02
■ Ensure accountability for ethics at all levels	3.95
■ Engage collaboratively with community and non-governmental groups	3.47
■ Support employees in balancing work and life activities	3.35
■ Encourage employee volunteerism	3.29
■ Involve employees in decisions that affect them	3.28
■ Provide employee training and development related to sustainability	3.26
■ Reduce waste materials	3.14
■ Highlight our commitment to sustainability in our brand	3.12
■ Improve energy efficiency	3.06
■ Work with suppliers to strengthen sustainability practices	2.95
■ Get groups across organization that are working on sustainability-related initiatives to work more closely together	2.85

- \*On a 5-point scale, where 1 = not at all and 5 = to a very great extent.

- 2007 AMA/HRI Sustainability Survey

# Next Steps

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- Join us...Forming consortium of forward-thinking HR executives to support worldwide follow-up research
- Opportunity for your company to participate: ISE Sustainability Certificate Program for Managers
- *“The Sustainable Enterprise Fieldbook: When It All Comes Together” to be published October 2008*
- In collaboration with the Institute for Sustainable Enterprise, AMA will introduce two workshops:
  - One day workshop for Senior Managers/Executives on developing a sustainability strategy
  - Two day action learning workshop for Managers on managing sustainably, supporting and implementing sustainability strategies

# Conclusion

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- **The future remains uncertain....**
- **Much depends on whether business leaders and managers in general, and high performing companies and industry leaders in particular, continue to gain greater awareness of sustainability and choose to adopt sustainability-related values, strategies, principles and practices.**

# Questions for **You** to Think About....

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1. *To what extent does your firm explicitly emphasize the social, environmental, governance, and stakeholder aspects of sustainability?*
2. *What are you doing to align your organization around sustainability?*
3. *What are the most significant challenges you are facing in your company related to sustainability?*
4. *What role are you as a human resource leader and the HR function playing in your sustainability journey? What else can you do?*

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Q & A ?